



OFFICE OF FINANCIAL INSTITUTIONS

Money Matters Focus on Your Financial Future The Importance of Saving Money & Retirement Planning





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Know Thyself First

GOALS

- Where do you want to be, who do you want to be in the future.
- The Future: It is where we are spending the rest of our Life!!
- Those who don't plan for the future won't have one.




4 Planning Principals for Successful Financial planning

- Spend Less than you earn.
- Avoid/minimum use of debt
- Build liquidity
- Set long term goals



Financial Goals

- Short Term Goals: Reduce debt, Emergency fund, Down payment on home
- Long Term Goals: Retirement, College funding for children



Develop a Spending Plan (Budget) This requires planning and setting goals.

Gather the following items for the last 3 months:

- mortgage/rent statements
- car payments
- utility bills, Credit cards bills, Insurance statements, receipts for gas, groceries, childcare etc.

Determine what you are spending!!!!!!!

Are You paying Yourself First?

See budget worksheet!



Pay Yourself First

- Build an emergency fund of at least 3 to 6 months living expenses.
- Start separate savings accounts to cover Christmas/holidays, insurance and future expenses throughout the year.
- Save at least 15% of every dime you earn beginning with your first job.



The Magic of Compounding Interest

- Compound interest means that you earn interest on the original amount you've saved, and then you continue to earn interest on the interest.
- Rule 72 shows how long it will take to double your money. Divide 72 by the interest rate you'll earn on your investment. $72 \text{ divided by } 6\% = 12 \text{ years}$



40 Years Compound interest

\$25 a week at 5% grows to \$166,020

\$25 a week at 7% grows to \$286,030

\$50 a week at 5% grows to \$332,020

\$50 a week at 9% grows to \$1,021,910




Get Debt Under Control – Pay Off Credit Cards and Loans

- Always pay more than the minimum monthly payment.
- Remember, If possible the goal is to simultaneously pay off your debt while putting some amount into savings.



Make Retirement Planning a Priority

- Start Now. Don't Wait. Time is critical
- Start small, if necessary. Money may be tight, but even small amounts can make a big difference given enough time.
- Use automatic deductions from your payroll or your checking account for deposit in mutual funds, IRA's, or other investment vehicles.

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- Save regularly, make it a habit.
 - Be realistic about investment returns. Never assume that a year or two of high returns will continue indefinitely. The same goes for market declines.
 - Roll over retirement account money if you change jobs.
 - Don't dip into retirement savings.
 - Remember, most retirement investment vehicles are long term investments.

Save and Invest for Retirement



Options

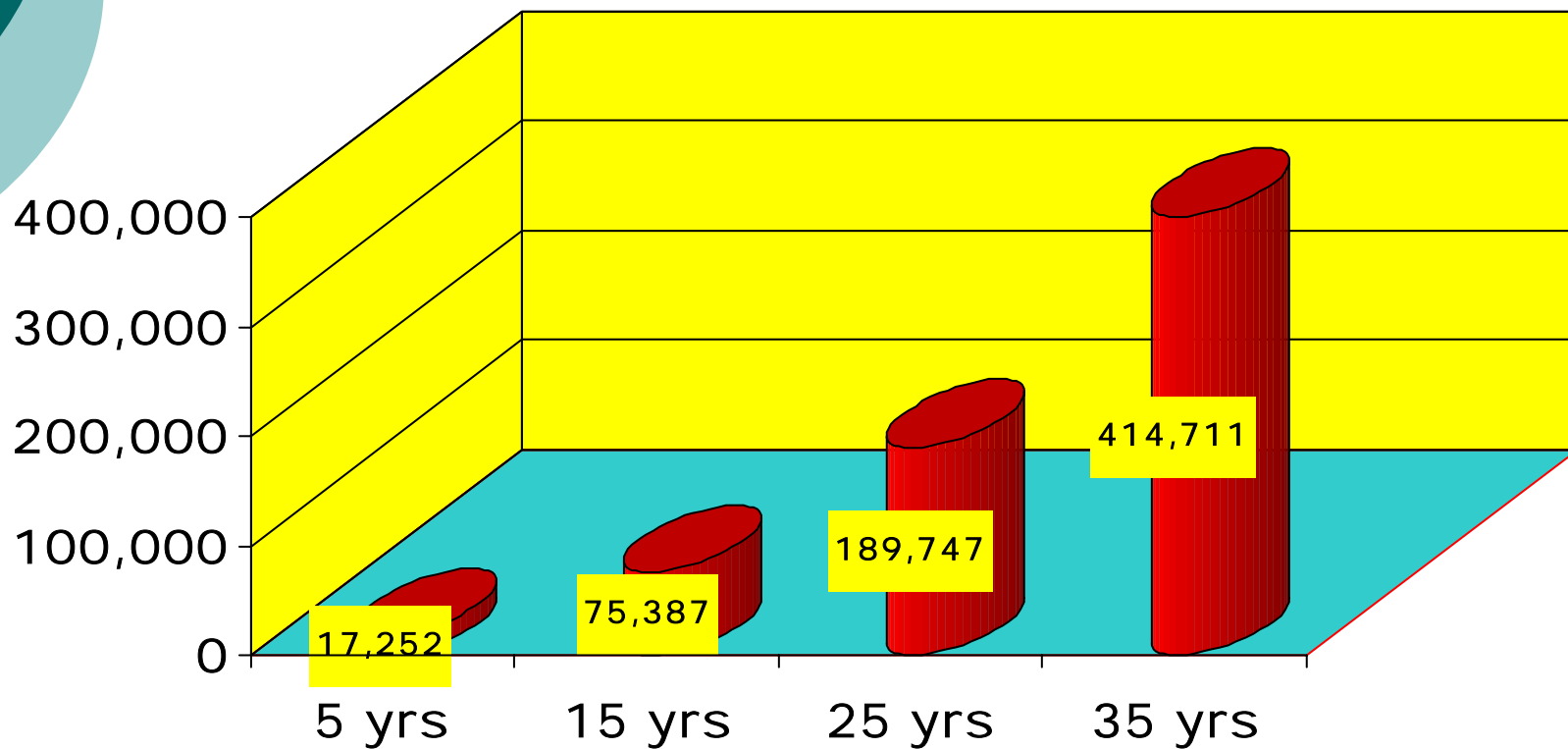
How and When Do You Want to Retire?

How far off is retirement?

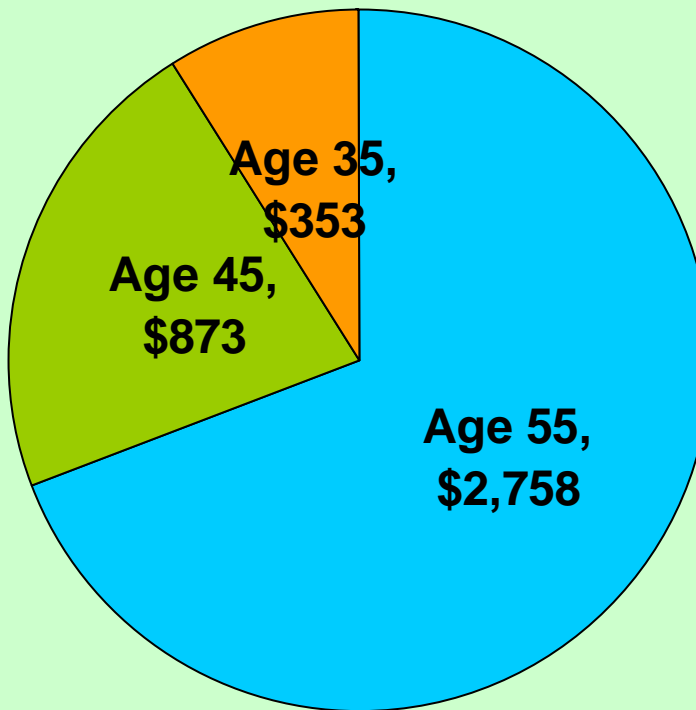
- Experts suggest that 70-80% of your pre-retirement salary is a good estimate.
- Retirement Planning is not rocket science.



Start Early - \$3,000 each year @ 7% annually



**Monthly Investment Needed to Build a \$500,000 Nest Egg
at Age 65
Assuming 8% annual return**





401(k) Plans

- Retirement savings plan sponsored by your employer and funded by you with money deducted from your pretax pay.
- You will be responsible for making the investment choices.
- Employer offers several investments to choose from.
- Some employers will match contributions (free money).
- Easy enrollment – investment amounts are payroll deducted.
- Whatever money you contribute to a 401(k) is yours – even if you leave your job.

A teal decorative graphic consisting of a large semi-circle and a smaller, lighter teal semi-circle below it, both on the left side of the slide.

Roth IRA

- No Tax deduction on contributions, but you'll never have to pay taxes on the earning when you begin withdrawals (assuming you follow the rules).
- Any money withdrawn, after age 59 1/2 is tax free.
- You can also the original amount you put into a Roth IRA before reaching age 59 1/2 without paying a penalty or taxes if you withdraw the money for a qualified expense, such as a down payment on a first home.
- Annual contribution is limited to \$4000.00, but if your over 50 you have additional catch-up contributions.



Traditional IRA

- Tax Deferred Earnings
- Money will grow by compounding year after year
- Annual contribution limit is \$4,000
- Cannot not withdraw money until age 59 ½ without penalty



Mutual Funds

- Simple Procedure to buy and sell
- Professional management
- Instant diversification
- Small minimum investment
- Automatic Reinvestment of earnings
- Easy monitoring



○ Thank you for attending!